GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

STARRED QUESTION NO:504
ANSWERED ON:25.04.2003
VALUE ADDED TAX
AJAY CHAKRABORTY;RAJO SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Union Government have not implemented VAT System from 01.04.2003;

(b) if so, the reasons therefore;

(c) whether the Government have received several representations from the traders associations against this system of taxation;

(d) if so, the action taken by the Union Government on these representation;

(e) the details of the States/UTs who have agreed/not agreed to implement this system of taxation;

(f) the net loss of revenue due to non-implementation of VAT system;

(g) whether the Union Government propose to compensate the State Governments who are not implementing this system of taxation; and

(h) if so, the details thereof?

Answer

MINISTER OF FINANCE & COMPANY AFFAIRS (JASWANT SINGH)

(a) to (h): A Statement is placed on the Table of the House.

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO.504 DATED 25.04.2003 TABLED BY S/SHRI AJOY CHAKRABORTY AND RAJO SINGH REGARDING VALUE ADDED TAX

(a) & (b): As per Entry 54 of List II (State List) of the Seventh Schedule to the Constitution of India, tax on sale or purchase of goods is a State subject. Value Added Tax, is a State tax, to replace the existing sales tax system in the States and Union Territories. Therefore, the question of implementation of Value Added Tax (VAT) System in lieu of Sales Tax by Union Government does not arise.

(c): Yes, Sir.

(d) On the recommendations of the Chief Ministers' Conference held on 22nd June, 2000, an Empowered Committee of State Finance Ministers was constituted to deliberate on matters relating to implementation of VAT by the States/ UTs. Any decision regarding representations of trade and industry and procedure to overcome shortcomings of State VAT, if any, or rescheduling of VAT has to be taken by this Empowered Committee which meets from time to time.

(e) While no State has formally stated so far that it will not switch over to VAT system, only Government of Haryana is reported to have introduced VAT with effect from 01 April, 2003. However, in a meeting of the Empowered Committee of State Finance Ministers held on 8th April, 2003, it has reportedly been decided that 16 States (which include Haryana) will introduce VAT w.e.f. 1st June, 2003.

(f),(g) & (h): The Government of India would compensate the revenue loss of the States, if any, upon introduction of VAT system to replace the existing sales tax system @ 100% in the first year (2003-04); 75% in the second year (2004-05) and 50% in the third year (2005-06). Therefore, the question of any revenue loss and compensation of the same does not arise in case of non implementation of VAT.